

# Auditing Procedures Report

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Issued under Public Act 2 of 1968, as amended.

Unit Name	Huron County Road Commission	County	HURON	Type	COUNTY	MuniCode	32-0-100
Opinion Date-Use Calendar	May 19, 2008	Audit Submitted-Use Calendar	Jun 26, 2008	Fiscal Year-Use Drop List	2007		

If a local unit of government (authorities & commissions included) is operating within the boundaries of the audited entity and is NOT included in this or any other audit report, nor do they obtain a stand-alone audit, enclose the name(s), address(es), and a description(s) of the authority and/or commission.

**Place a check next to each "Yes" or non-applicable question below. Questions left unmarked should be those you wish to answer "No".**

<input checked="" type="checkbox"/>	1. Are all required component units/funds/agencies of the local unit included in the financial statements and/or disclosed in the reporting entity notes to the financial statements?
<input checked="" type="checkbox"/>	2. Does the local unit have a positive fund balance in all of its unreserved fund balances/unrestricted net assets?
<input type="checkbox"/>	3. Were the local unit's actual expenditures within the amounts authorized in the budget?
<input checked="" type="checkbox"/>	4. Is this unit in compliance with the Uniform Chart of Accounts issued by the Department of Treasury?
<input checked="" type="checkbox"/>	5. Did the local unit adopt a budget for all required funds?
<input checked="" type="checkbox"/>	6. Was a public hearing on the budget held in accordance with State statute?
<input checked="" type="checkbox"/>	7. Is the local unit in compliance with the Revised Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, and other guidance as issued by the Local Audit and Finance Division?
<input checked="" type="checkbox"/>	8. Has the local unit distributed tax revenues, that were collected for another taxing unit, timely as required by the general property tax act?
<input checked="" type="checkbox"/>	9. Do all deposits/investments comply with statutory requirements including the adoption of an investment policy?
<input checked="" type="checkbox"/>	10. Is the local unit free of illegal or unauthorized expenditures that came to your attention as defined in the Bulletin for Audits of Local Units of Government in Michigan, as revised (see Appendix H of Bulletin.)
<input checked="" type="checkbox"/>	11. Is the unit free of any indications of fraud or illegal acts that came to your attention during the course of audit that have not been previously communicated to the Local Audit and Finance Division? (If there is such activity, please submit a separate report under separate cover.)
<input checked="" type="checkbox"/>	12. Is the local unit free of repeated reported deficiencies from previous years?
<input checked="" type="checkbox"/>	13. Is the audit opinion unqualified?
	14. If not, what type of opinion is it? <input type="text" value="NA"/>
<input checked="" type="checkbox"/>	15. Has the local unit complied with GASB 34 and other generally accepted accounting principles (GAAP)?
<input checked="" type="checkbox"/>	16. Has the board or council approved all disbursements prior to payment as required by charter or statute?
<input checked="" type="checkbox"/>	17. To your knowledge, were the bank reconciliations that were reviewed performed timely?
<input type="checkbox"/>	18. Are there reported deficiencies?
<input type="checkbox"/>	19. If so, was it attached to the audit report?

General Fund Revenue: \$ 14,488,714.00

General Fund Expenditure: \$ 13,718,039.00

Major Fund Deficit Amount: \$ 0.00

General Fund Balance: \$ 5,199,891.00

Governmental Activities  
Long-Term Debt (see  
instructions): \$ 628,224.00

We affirm that we are certified public accountants (CPA) licensed to practice in Michigan. We further affirm the above responses have been disclosed in the financial statements, including the notes, or in the Management Letter (Reported deviations).

CPA (First Name)	Douglas	Last Name	Brining	Ten Digit License Number	1101008283				
CPA Street Address	64 Westland Drive	City	Bad Axe	State	MI	Zip Code	48413	Telephone	+1 (989) 269-9909
CPA Firm Name	Brining & Nartker, P.C.	Unit's Street Address	64 Westland Drive	City	Bad Axe	LU Zip	48413		

**HURON COUNTY ROAD COMMISSION  
A COMPONENT UNIT OF HURON COUNTY, MICHIGAN**

**FINANCIAL REPORT  
DECEMBER 31, 2007**

**HURON COUNTY ROAD COMMISSION  
A COMPONENT UNIT OF HURON COUNTY, MICHIGAN**

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# BRINING & NARTKER, P.C.

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## INDEPENDENT AUDITORS' REPORT

Board of County Road Commissioners of  
Huron County  
Bad Axe, Michigan 48413

We have audited the accompanying basic financial statements of the Huron County Road Commission, a component unit of Huron County, Michigan, as of and for the year ended December 31, 2007, as listed in the table of contents. These financial statements are the responsibility of the Road Commission's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the Huron County Road Commission as of December 31, 2007, and the results of its operations for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis, budgetary comparison information and pension plan data on pages 2 through 5 and 20 through 23, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements of the Huron County Road Commission. The statement on page 24 is presented for purposes of additional analysis and is not a required part of the basic financial statements of the Road Commission of Huron County, Michigan. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



BRINING & NARTKER, P.C.  
CERTIFIED PUBLIC ACCOUNTANTS

May 19, 2008

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

# **Board of County Road Commissioners of Huron County**

## **ROAD COMMISSIONERS:**

JOHN M. HUNT  
BAD AXE

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## **Management's Discussion and Analysis**

This section of the Huron County Road Commission's (the "Road Commission") annual financial report presents our discussion and analysis of the Road Commission's financial performance during the fiscal year that ended December 31, 2007. Please read this M.D. & A. in conjunction with the Road Commission's financial statements, which follow this section.

### **Financial Highlights**

- The Road Commission's total net assets increased by approximately \$3 million
- During the year, restricted net assets increased by approximately \$780,000.
- Total Revenue sources for the year of \$14.5 million exceeded expenditures of \$11.5 million by \$3 million.
- \$7.5 million was invested in capital assets during the year.

### **Overview of the Financial Statements**

This annual report consists of four parts: management's discussion and analysis (this section), the basic financial statements, required supplemental information, and other supplementary information.

The financial statements also include notes that explain some of the information in the financial statements and provide more detail. The statements are followed by a section of required supplementary information that further explains and supports the information in the financial statements. In addition to these required elements, we have included a section with more detail regarding Road Fund balances.

### **Financial Analysis of the Road Commission as a Whole**

#### *Net Assets*

The Road Commission's combined net assets increased during 2007 by approximately \$3 million, ending the year at \$68.8 million. Table 1 below shows the composition of the Road Commission's net assets at December 31, 2007 compared with December 31, 2006.

*Management's Discussion and Analysis (Continued)*

Table 1

	<u>Governmental Activities</u>	
	2007	2006
	(in thousands)	
<b>Assets</b>		
Current and other assets	\$ 7,296	\$ 6,266
Capital assets	64,546	62,611
Total assets	<u>71,842</u>	<u>68,877</u>
<b>Liabilities</b>		
Long-term liabilities outstanding	1,208	1,430
Other liabilities	1,772	1,553
Total liabilities	<u>2,980</u>	<u>2,983</u>
<b>Net Assets</b>		
Invested in capital assets – Net of related debt	64,183	61,995
Restricted	4,679	3,899
<b>Total net assets</b>	<u>\$ 68,862</u>	<u>\$ 65,894</u>

**Changes in Net Assets**

The Road Commission's change in net assets was a combination of various revenue sources and expense categories as shown in Table 2

The Michigan Transportation Fund (MTF) revenue is the result of a statutory formula that is structured to share various fuel taxes and license fees collected by the State of Michigan with cities, road commissions and the Michigan Department of Transportation. This revenue item is one of the primary sources of revenue for the Road Commission. For 2007, MTF revenue decreased slightly when compared to 2006 levels. However, consistent with past practice, the projected MTF for 2007 was a conservative figure. The final MTF revenue was approximately \$13,000 more than budgeted. Trunkline Maintenance saw a \$700,000 increase over 2006 while special projects funded by State and Federal dollars increased by \$590,000 over prior year amounts. Also, revenue from township activity decreased \$195,000 over the prior year.

With regard to expenses, routine and preventative maintenance costs increased by \$1.3 million in direct proportion to specific revenue increases while capital outlay and administrative costs fell during 2007.

*Management's Discussion and Analysis (Continued)*

Table 2

	<u>Governmental Activities</u>	
	2007	2006
	(in thousands)	
<b>Revenue</b>		
Michigan Transportation Fund	\$ 4,913	\$ 4,916
State Trunkline maintenance	2,545	1,847
Federal and state aid	2,209	1,620
Contributions for work performed for others	3,433	3,628
Interest	99	81
Property Taxes	1,167	1,117
Gain on sale of assets	123	137
Sale of easements	-	11
	<u>14,489</u>	<u>13,357</u>
<b>Expenses</b>		
Routine and preventative maintenance	\$ 5,833	\$ 4,535
Equipment	48	564
Administrative	312	485
Compensated absences	-9	30
Depreciation and depletion	5,307	5,416
Interest	30	39
	<u>11,521</u>	<u>11,069</u>
<b>Change in net assets</b>	<u>\$ 2,968</u>	<u>\$ 2,288</u>

**Capital Assets**

The Road Commission has approximately \$64.5 million in net capital assets at the end of the year due mainly to infrastructure improvements.

These infrastructure improvements during the year involved constructing and reconstructing roads, bridges and intersections. The Road Commission also contributed \$360,000 in matching funds to work performed on the local road system. During the year, 112 miles of road improvements were made. This consists of 19 miles on the primary road system and 87 miles on the local road system.

Infrastructure improvements also included repair or rehabilitation of approximately 10 bridges. Design began or continued on several bridges for the local & primary system. New bridges were constructed on the Risky Road over the Columbia Drain and on Gettel Road over the State Drain.

Capital outlay for equipment was approximately \$300,000 which was \$308,000 less than 2006.



*Management's Discussion and Analysis (Continued)*

		<u>Governmental Activities</u>	
		2007	2006
		(in thousands)	
Land improvements	\$	10,556	\$ 10,188
Buildings		1,389	1,324
Road Equipment		6,781	6,667
Shop Equipment		105	93
Office Equipment		106	101
Engineering Equipment		87	88
Gravel pits		90	90
Yard and storage bins		373	424
Roads		63,759	63,235
Bridges		25,420	23,948
<b>Total</b>		<u>\$ 108,666</u>	<u>\$ 106,158</u>

**The Year in Review and the 2007 Budget.**

The Road Commission amended its 2007 revenue budget upward by \$1.6 million, with a majority of the increases coming from increases in road projects in 2007. Actual revenues exceeded final amended budgeted revenues by \$320,000.

The expenditure budget was increased by \$1.3 million during the year but actual amounts still exceeded the final amended budget by \$100,000. Most of this variance resulted from increased road maintenance costs but was offset by additional equipment rental.

**The 2008 Budget**

Unfavorable economic conditions are expected to continue in 2008. MTF budget revenue was decreased by 2.5 % for 2008 but more recent forecasts indicate that a 4 % decrease could be in store. This would result in a \$200,000 decrease in projected revenue. Also, due to the severity of the 2007-2008 winter and lack of additional state funds, state trunkline maintenance plans for the summer of 2008 have been reduced. This will also have an effect on state special projects.

Increasing petroleum prices are resulting in higher diesel fuel prices as well as higher asphalt prices. Both of these items along with an increase in steel and salt prices resulted in higher expenditure budget amounts than in prior years. Major capital outlay items are being planned in 2008 to replace several aging trucks.

The projected budget for 2008 resulted in a deficit of approximately \$715,000. Close monitoring of forecasted trends will occur and could result in the delay of some previously planned expenditures.

## **BASIC FINANCIAL STATEMENTS**

**HURON COUNTY ROAD COMMISSION**  
**A COMPONENT UNIT OF HURON COUNTY, MICHIGAN**  
**STATEMENT OF NET ASSETS**  
**DECEMBER 31, 2007**

**ASSETS:**

**Current assets:**

Cash	\$ 2,256,480
Accounts receivable:	
Taxes	1,236,230
Sundry accounts	26,280
State - trunkline maintenance	211,995
State - other	-
Michigan transportation fund	757,093
Due on county road agreements	1,386,514
Due from other component units	590,485
Inventories:	
Road materials	495,978
Equipment parts and materials	304,384
Prepaid expenses	25,142
Deferred expenses	5,527

**Noncurrent assets:**

Capital assets (net of accumulated depreciation)	64,546,338
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**TOTAL ASSETS**

71,842,446

**LIABILITIES:**

**Current liabilities:**

Accounts payable	158,243
Due to State of Michigan	2,254
Accrued wages	110,561
Performance bonds payable	151,886
Interest payable	20,382
Installment purchase agreements payable	92,417
Deferred revenue	1,236,230

**Noncurrent liabilities:**

Advances from state	324,245
Installment purchase agreements payable	363,539
Vested employee benefits payable	520,489

**TOTAL LIABILITIES**

2,980,246

**NET ASSETS:**

Investment in capital assets net of related debt	64,182,799
Restricted for county roads	4,679,401

**TOTAL NET ASSETS**

\$ 68,862,200

The accompanying notes are an integral part of the financial statements.

**HURON COUNTY ROAD COMMISSION  
A COMPONENT UNIT OF HURON COUNTY, MICHIGAN  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2007**

<b>PROGRAM EXPENSES:</b>	
Primary road routine and preventative maintenance	\$ 1,467,616
Local road routine and preventative maintenance	1,847,904
State trunkline maintenance	2,516,959
Net equipment expense	48,354
Net administrative expense	312,056
Compensated absences	(9,712)
Infrastructure depreciation	5,307,058
Interest expense	30,402
<b>TOTAL PROGRAM EXPENSES</b>	<u>11,520,637</u>
<b>PROGRAM REVENUE:</b>	
Charges for services:	
Charges for services	2,544,822
Contributions from Local Units	3,432,746
Reimbursements	34
Operating grants and contributions:	
Michigan Transportation Funds	4,913,166
Investment earnings	99,430
Capital grants and contributions:	
Federal grants	1,811,094
State grants	397,964
<b>TOTAL PROGRAM REVENUE</b>	<u>13,199,256</u>
<b>NET PROGRAM REVENUE</b>	<u>1,678,619</u>
<b>GENERAL REVENUE:</b>	
Property taxes	1,166,946
Gain on equipment disposal	7,393
Gain on sale of building	61,073
Gain on sale of road materials	54,048
<b>TOTAL GENERAL REVENUES</b>	<u>1,289,460</u>
<b>CHANGE IN NET ASSETS</b>	<u>2,968,079</u>
<b>NET ASSETS - BEGINNING OF YEAR</b>	65,894,121
<b>NET ASSETS - END OF YEAR</b>	<u><u>\$ 68,862,200</u></u>

The accompanying notes are an integral part of the financial statements.

**HURON COUNTY ROAD COMMISSION  
A COMPONENT UNIT OF HURON COUNTY, MICHIGAN  
BALANCE SHEET  
GOVERNMENTAL FUND  
DECEMBER 31, 2007**

**ASSETS**

Cash and investments	\$ 2,256,480
Taxes receivable	1,236,230
Accounts receivable	26,280
Due from other governmental units:	
State	969,088
Local	1,386,514
Due from other component units	590,485
Inventory	800,362
Prepaid insurance	25,142
Deferred expenses	5,527
<b>TOTAL ASSETS</b>	<b><u>\$ 7,296,108</u></b>

**LIABILITIES AND FUND EQUITY**

**LIABILITIES:**

Accounts payable	\$ 158,243
Due to State of Michigan	2,254
Accrued wages	110,561
Advances - State trunkline maintenance	88,374
Advances - State trunkline equipment	235,871
Performance bonds payable	151,884
Interest payable	20,383
Installment purchase agreements payable	92,417
Deferred revenue	1,236,230
<b>TOTAL LIABILITIES</b>	<b><u>2,096,217</u></b>

**FUND EQUITY:**

Fund balance	5,199,891
<b>TOTAL LIABILITIES AND FUND EQUITY</b>	<b><u>\$ 7,296,108</u></b>

**HURON COUNTY ROAD COMMISSION  
RECONCILIATION OF THE BALANCE SHEET FUND BALANCE TO  
THE STATEMENT OF NET ASSETS  
FOR THE YEAR ENDED DECEMBER 31, 2007**

Total governmental fund balance	\$ 5,199,891
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Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	64,546,338
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Long-term liabilities are not due in the current period and therefore are not reported as a liability in the Governmental Funds Balance Sheet.	(884,029)
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Net assets of governmental activities	<u>\$ 68,862,200</u>
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The accompanying notes are an integral part of the financial statements.

**HURON COUNTY ROAD COMMISSION  
A COMPONENT UNIT OF HURON COUNTY, MICHIGAN  
STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGE IN FUND BALANCE - GOVERNMENTAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2007**

<b>REVENUES:</b>	
Property taxes	\$ 1,166,946
Federal aid	1,811,094
State aid	5,311,130
Contributions from local units	3,432,746
Charges for services	2,544,822
Interest	99,430
Other	122,546
<b>TOTAL REVENUES</b>	<u>14,488,714</u>
<b>EXPENDITURES:</b>	
Public works	13,774,808
Capital outlay	(339,863)
Debt service:	
Principal	252,692
Interest and fees	30,402
<b>TOTAL EXPENDITURES</b>	<u>13,718,039</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u>770,675</u>
<b>FUND BALANCE - JANUARY 1</b>	4,429,216
<b>FUND BALANCE - DECEMBER 31</b>	<u><u>\$ 5,199,891</u></u>

**HURON COUNTY ROAD COMMISSION  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGE IN FUND BALANCE OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2007**

Net change in fund balance - total governmental funds	\$ 770,675
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures; in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.	
Capital outlay incurred in the current year	7,877,150
Depreciation	(5,942,150)
Repayment of installment purchase agreement principal is an expenditure in the governmental funds, but reduces the long-term liabilities in the statement of net assets.	252,692
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds.	
Decrease in compensated absences	9,712
Change in net assets of governmental activities.	<u><u>\$ 2,968,079</u></u>

The accompanying notes are an integral part of the financial statements.

**HURON COUNTY ROAD COMMISSION  
A COMPONENT UNIT OF HURON COUNTY, MICHIGAN  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2007**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies of the Huron County Road Commission conform to U.S. generally accepted accounting principles (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the Huron County Road Commission.

**The Reporting Entity**

The Huron County Road Commission, which is established pursuant to the County Road Law (MCL 224.1), is governed by an appointed three member board of county road commissioners. The Road Commission may not issue debt or levy a tax without the approval of the county board of commissioners. If approval is granted, Road Commission taxes are levied under the taxing authority of the County, as approved by the County electors, and would be included as a part of the County total tax levy as well as reported in the County Road Fund. The Road Commission provides services to twenty-eight townships within Huron County and maintains over 1,750 miles of state, local and primary roads.

In accordance with the provisions of the Governmental Accounting Standards Board (GASB) Statement No. 14 as amended by Statement No. 39, the Road Commission's Operating Fund is considered to be a component unit of Huron County for financial reporting purposes. The criteria established by GASB for determining the various governmental organizations to be included in the financial reporting entity's statements are discussed in the following paragraphs.

The definition of the reporting entity is based primarily on the notion of financial accountability. A primary government is financially accountable for the organizations that make up its legal entity. It is also financially accountable for legally separate organizations if its officials appoint a voting majority of an organization's governing body and either it is able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or to impose specific financial burdens on, the primary government. A primary government may also be financially accountable for governmental organizations that are fiscally dependent on it.

The reasons cited for including the Huron County Road Commission as a component unit of Huron County (the primary government) include the appointment of the Road Commission's three member governing board, the ability to impose its will on the Road Commission and the potential for a financial benefit or burden on the County.

**Related Organizations**

The Board of County Road Commissioners is also the appointed governing body of the Drains, Parks and Airport Funds of Huron County. These funds are also component units of Huron County, but are not included in these financial statements. The financial statements for the Drains, Parks and Airport Funds are issued in separate reports, which are available at the Huron County Road Commission office located at 417 S. Hanselman St., Bad Axe, Michigan.

**Measurement Focus, Basis of Accounting and Financial Statement Presentation**

The government-wide financial statements (i.e., statement of net assets and statement of activities) are reported using the economic resource measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grant and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized when it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the year. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

(Continued)

**HURON COUNTY ROAD COMMISSION  
A COMPONENT UNIT OF HURON COUNTY, MICHIGAN  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2007  
(CONTINUED)**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

**Cash and Cash Equivalents**

The Road Commission considers investments that are readily convertible to cash or have a maturity date of 90 days or less to be cash equivalents and include demand deposits and certificates of deposit.

**Accounting Estimates**

The process of preparing financial statements in conformity with U.S. generally accepted accounting principles requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues and expenditures. Such estimates primarily relate to inventories and unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

**Property Taxes**

During 2004, the voters of Huron County approved the renewal of a county-wide millage of one mil for five years for primary road resurfacing and reconstruction. Collection of this millage began December 1, 2004 and will continue until February, 2009. Management has established a policy of revenue recognition for property taxes as follows. The property tax is levied on each December 1st on the taxable valuation of property located in Huron County as of the preceding December 31st. These taxes have a final collection date of February 28, before they are added to the County's delinquent tax rolls. The delinquent real property taxes are purchased by the County's Revolving Tax Fund. Therefore, these taxes are recorded as revenue for the year when current collections are completed, which is the fiscal year following the levy date of December 1.

**Inventory**

Inventory is stated at cost using the average cost method. Inventory items are charged to expenditures for road construction and equipment maintenance, repairs and operations as used under the consumption method.

**Prepaid Items**

Certain payments to vendors (such as health insurance coverage) reflect costs that are applicable to a future period and are recorded as prepaid expenses.

**Depreciation**

Depreciation for road equipment and vehicles is computed using the sum-of-the-years digits method using the depreciation table in "Schedule C - Equipment Rental Rates" issued by the Michigan Department of Transportation. For all other capital assets, depreciation is computed on the straight-line method. Estimated useful lives are as follows:

Road equipment	5 - 8 years
Office and engineering equipment	8 years
Shop equipment	10 years
Yard and storage equipment	10 - 20 years
Buildings	25 - 50 years
Roads	5 - 30 years
Bridges	12 - 50 years

Infrastructure is reported retrospectively from 1980, except for right-of-ways, bridges, and traffic signals which are required to be reported despite the date of purchase.

Depletion is calculated as the amount of prorated cost or other indicated value assigned to the extracted portion of a natural resource (gravel).

The Uniform Accounting Procedures Manual for Michigan County Road Commissions provides for recording depreciation and depletion in the governmental fund statements as a charge to various expenditure accounts, and a credit to a depreciation/depletion credit account. Accordingly, the annual depreciation/depletion expenditures do not affect the available operating equity of the governmental fund statements.

(Continued)



**HURON COUNTY ROAD COMMISSION  
A COMPONENT UNIT OF HURON COUNTY, MICHIGAN  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2007  
(CONTINUED)**

**NOTE 2 - BUDGET INFORMATION**

Annual budgets, and all amendments thereto, for the Governmental Funds are adopted by the Board to the line item level on a basis consistent with U.S. generally accepted accounting principles. All annual appropriations lapse at year end. The Road Commission does not utilize encumbrance accounting.

**Excess of Expenditures Over Appropriations in Budgetary Funds**

P.A. 621 of 1978, section 18(1), as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated. During the year ended December 31, 2007, the Road Commission incurred expenditures in certain budgetary line items which were in excess of the amounts appropriated as follows:

<u>FUND</u>	<u>AMENDED BUDGET</u>	<u>AMOUNT OF EXPENDITURES</u>	<u>VARIANCE FROM BUDGET</u>
Operating Fund:			
Primary roads preservation	\$ 2,250,000	\$ 2,272,629	\$ 22,629
Primary roads routine maintenance	\$ 1,305,000	\$ 1,392,357	\$ 87,357
Local roads preservation	\$ 3,750,000	\$ 3,837,461	\$ 87,461
Local roads routine maintenance	\$ 1,653,000	\$ 1,816,625	\$ 163,625
Primary structures routine maintenance	\$ 18,000	\$ 75,259	\$ 57,259
Local structures preservation	\$ 1,460,000	\$ 1,471,830	\$ 11,830
Local structures routine maintenance	\$ 27,000	\$ 31,279	\$ 4,279
State trunkline maintenance	\$ 1,100,000	\$ 1,263,604	\$ 163,604
State trunkline non-maintenance	\$ 1,253,000	\$ 1,253,355	\$ 355
Equipment expense - operating	\$ 650,000	\$ 672,313	\$ 22,313
Capital outlay	\$ 290,000	\$ 296,954	\$ 6,954
Debt service - principal	\$ 252,300	\$ 252,692	\$ 392

**NOTE 3 - CASH AND INVESTMENTS**

The Uniform Accounting Procedures Manual for Michigan County Road Commissions provides that the County Treasurer maintain the cash of the Road Commission. All Road Commission receipts are deposited with the Huron County Treasurer's Office, and in order to make disbursements, the Huron County Road Commission requests the County Treasurer to transfer the required funds to an imprest vendor or payroll checking account. Also, in order to invest cash, a request is made to the County Treasurer.

Deposits are carried at cost. Deposits of the Road Commission are at various banks in the name of the Huron County Treasurer. Michigan Compiled Laws, Section 129.91, authorize the County to deposit and invest in the accounts of Federally insured banks, credit unions and savings and loan associations with an office located in Michigan; bonds, securities and other direct obligations of the United States, or an agency or instrumentality of the United States; United States government or Federal agency obligation repurchase agreements; bankers' acceptance of United States banks; mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan; commercial paper rated within the two highest classifications, which mature not more than 270 days after the date of purchase; and investment pools organized under the surplus funds investment pool act; and obligations of the State of Michigan or its political subdivisions which are rated as investment grade.

Attorney General's Opinion No. 6168 states that public funds may not be deposited in financial institutions located in states other than Michigan. The Road Commission's deposits are in accordance with statutory authority. The Governmental Accounting Standards Board (GASB) Statement No. 3 as amended by Statement No. 40, risk disclosures for the Road Commission's cash deposits are as follows:

(Continued)

**HURON COUNTY ROAD COMMISSION  
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NOTES TO THE FINANCIAL STATEMENTS  
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(CONTINUED)**

**NOTE 3 – CASH AND INVESTMENTS** (Continued)

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a bank failure, the Road Commission's deposits may not be returned to it. The Road Commission's policy does not have custodial credit risk requirement. At year end, the Road Commission had \$2,245,167 of its bank balance (checking accounts, savings accounts or certificates of deposit) of \$2,445,167 exposed to custodial credit risk as follows:

Uninsured and uncollateralized	<u>\$ 2,245,167</u>
--------------------------------	---------------------

Interest Rate Risk

Interest rate risk is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates. The Road Commission carries no significant interest rate risk as all of its holdings are in bank accounts with a high degree of liquidity.

Foreign Currency Risk

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit. The Road Commission has no foreign currency risk as it has no deposits or investments in foreign currency.

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of the Road Commission's investment in a single issuer. The Road Commission has no concentration of credit risk because it does not invest in mutual funds, external investment pools or other pooled investments.

**NOTE 4 –CAPITAL LEASES**

The Road Commission has entered into lease agreements as the lessee for financing the purchase of road graders. These lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of the future minimum lease payments as of the inception date. The future minimum lease obligations and the net present value is as follows:

	<u>Cat Grader</u>
2008	\$ 125,883
Total minimum lease payments	<u>125,883</u>
Less: amount representing interest	(2,049)
Present value	<u>\$ 123,834</u>

**HURON COUNTY ROAD COMMISSION**  
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**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2007**  
**(CONTINUED)**

**NOTE 5 – CAPITAL ASSETS**

Capital assets activity for the current year was as follows:

	Balance January 1, <u>2007</u>	<u>Additions</u>	<u>Deletions</u>	Balance December 31, <u>2007</u>
Capital assets, not being depreciated -				
Land	\$ 88,288	\$ -	\$ -	\$ 88,288
Land improvements	10,099,499	367,811	-	10,467,310
Total capital assets, not being depreciated	<u>10,187,787</u>	<u>367,811</u>	<u>-</u>	<u>10,555,598</u>
Capital assets, being depreciated -				
Buildings and improvements	1,323,562	83,584	17,847	1,389,299
Road equipment	6,666,814	170,284	56,083	6,781,015
Shop equipment	93,186	12,205	-	105,391
Office equipment	101,150	30,881	26,516	105,515
Engineering equipment	88,056	-	1,530	86,526
Yard and storage	424,423	-	51,823	372,600
Infrastructure -				
Roads	63,235,460	5,742,280	5,219,040	63,758,700
Bridges	23,947,945	1,471,830	-	25,419,775
Depletable assets -				
Gravel pits	90,453	-	-	90,453
	<u>95,971,049</u>	<u>7,511,064</u>	<u>5,372,839</u>	<u>98,109,274</u>
Less - accumulated depreciation for -				
Buildings and improvements	958,210	33,524	17,278	974,456
Road equipment	5,248,927	564,033	55,627	5,757,333
Shop equipment	63,415	6,609	-	70,024
Office equipment	72,861	9,744	25,818	56,787
Engineering equipment	74,011	5,442	1,530	77,923
Yard and storage	266,505	15,740	51,823	230,422
Infrastructure -				
Roads	30,686,585	4,775,938	5,219,040	30,243,483
Bridges	6,098,870	531,120	-	6,629,990
Depletable assets	78,116	-	-	78,116
	<u>43,547,500</u>	<u>5,942,150</u>	<u>5,371,116</u>	<u>44,118,534</u>
Total capital assets, being depreciated, net	<u>52,423,549</u>	<u>1,568,914</u>	<u>1,723</u>	<u>53,990,740</u>
Governmental activity capital assets, net	<u>\$ 62,611,336</u>	<u>\$ 1,936,725</u>	<u>\$ 1,723</u>	<u>\$ 64,546,338</u>

(Continued)

**HURON COUNTY ROAD COMMISSION  
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NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2007  
(CONTINUED)**

**NOTE 5 – CAPITAL ASSETS** (Continued)

Depreciation expense was charged to programs of the Road Commission as follows:

Net equipment expense	
Direct equipment	\$ 564,033
Indirect equipment	
Shop buildings	31,622
Shop equipment	6,609
Other distributive expense	
Storage buildings	13,125
Engineering equipment	5,442
Net administrative expense	
Office building	4,517
Office equipment and furniture	9,744
Infrastructure	5,307,058
Total depreciation expense	<u>\$ 5,942,150</u>

**NOTE 6 - DUE FROM/TO OTHER COMPONENT UNITS**

Interfund receivable and payable balances at December 31, 2007 are as follows:

	<u>DUE FROM</u>	<u>DUE TO</u>
Airport Fund	\$ 75,793	\$ -
Parks Fund	466,415	-
Drains Fund	48,277	-
	<u>\$ 590,485</u>	<u>\$ -</u>

The funds listed above are other component units of the County of Huron. The financial statements for these entities are issued under separate cover. All amounts are expected to be repaid in less than one year.

**NOTE 7 – LONG-TERM DEBT**

The following is a summary of the outstanding debt of the Road Commission as of December 31, 2007:

	<u>INTEREST RATE</u>	<u>MATURING THROUGH</u>	<u>PRINCIPAL OUTSTANDING</u>
Drain assessment payable - Allen Drain	Various	2011	\$ 109,935
Drain assessment payable - Shebeon Drain	Various	2010	129,867
TOTAL LONG-TERM DEBT			<u>\$ 239,802</u>

(Continued)

**HURON COUNTY ROAD COMMISSION  
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NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2007  
(CONTINUED)**

**NOTE 7 – LONG-TERM DEBT** (Continued)

The following is a summary of changes in long-term debt of the Road Commission for the year ended December 31, 2007:

	BALANCE JANUARY 1, 2007	ADDITIONS	REDUCTIONS	BALANCE DECEMBER 31, 2007
Vested employee benefits payable	\$ 530,199	\$ -	\$ 9,712	\$ 520,487
Drain assessment payable - Allen	137,419	-	27,484	109,935
Drain assessment payable - Shebeon	194,801	-	64,934	129,867
	<u>\$ 862,419</u>	<u>\$ -</u>	<u>\$ 102,130</u>	<u>\$ 760,289</u>

Annual principal requirements to maturity for the above long-term debt are as follows:

<u>YEAR ENDING DECEMBER 31</u>	<u>ALLEN DRAIN ASSESSMENT</u>		<u>SHEBEON DRAIN ASSESSMENT</u>	
	<u>PRINCIPAL</u>	<u>INTEREST</u>	<u>PRINCIPAL</u>	<u>INTEREST</u>
2008	\$ 27,484	\$ 6,332	\$ 64,934	\$ 8,312
2009	27,484	4,749	64,933	4,156
2010	27,484	3,166	-	-
2011	27,483	1,583	-	-
	<u>\$ 109,935</u>	<u>\$ 15,830</u>	<u>\$ 129,867</u>	<u>\$ 12,468</u>

The amounts shown as future year interest requirements were determined using the interest rate in effect during 2007. These interest rates fluctuate on a yearly basis.

**Vested Employee Benefits**

Vacation is earned in varying amounts depending on the number of years of service for each employee. Vacation earned in one year is credited to employees on the anniversary of their hire date of the following year. An employee may carry over from year-to-year 120 hours of accumulated vacation.

After one year of service, sick leave is earned by each full-time employee at the rate of eight hours for every month of completed service. Unused sick leave may be accumulated to a total of 400 hours.

Vacation pay is paid at 100 percent upon retirement. Sick pay is paid at 100 percent when an employee retires, with payment not to exceed 270 hours. Fifty percent of sick leave earned and unused in excess of 270 hours is paid each January of the following year. Accumulated vacation and sick leave hours are recorded at 100 percent in the financial statements.

**HURON COUNTY ROAD COMMISSION  
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NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2007  
(CONTINUED)**

**NOTE 8 - DEFERRED COMPENSATION**

The Road Commission offers all employees a deferred compensation plan created in accordance with Internal Revenue Code, Section 457. The assets of the plan are held in trust, (custodial account or annuity contract) as described in IRC Section 457 (g) for the exclusive benefit of the participants (employees) and their beneficiaries. The custodian thereof, for the exclusive benefit of the participants, holds the custodial account for the beneficiaries of this Section 457 plan, and the assets may not be diverted to any other use. The Administrators are agents of the employer for purposes of providing direction to the custodian of the custodial account from time to time for the investment of the funds held in the account, transfer of assets to or from the account and all other matters. In accordance with the provisions of GASB Statement 32, plan balances and activities are not reflected in the Road Commission's financial statements.

**NOTE 9 - EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS**

Defined Benefit Plan - Single Employer

Plan Description

The Road Commission's defined benefit pension plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. The plan is a participant in the Municipal Employees Retirement System of Michigan (MERS), which is an agent multiple-employer, state-wide, public employee pension plan that was created under Public Act 135 of 1945, and now operates under Public Act 220 of 1996, and the MERS Plan Document as revised. Pursuant to Act 220, on August 15, 1996, MERS became an independent public non-profit corporation which is an instrumentality of the participating municipalities and courts. MERS was established to provide retirement, survivor and disability benefits on a voluntary basis to the State of Michigan's local government employees. It provides centralized administration and investment of plan assets, but each employer unit is separately experience rated. MERS issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for MERS. That report may be obtained by writing to MERS, 1134 Municipal Way, Lansing, MI 48917 or by calling 1-800-767-6377.

Funding Policy

Employees are required to contribute either 3% of their annual earnings up to \$4,200 and 5% thereafter, or a flat 4.7% to the System based on the division in which the employee is a member. The Road Commission is required to contribute amounts necessary to fund the System using sound actuarial methods; the rates for 2007 were 4.07% for union employees, 20.42% for non-union employees and 23.50% for the manager.

Annual Pension Cost

For 2007, the Road Commission made actual contributions of \$301,220 which were made based on the payroll paid rather than the estimated payroll used in the actuarial valuation. The required contribution was determined as part of the December 31, 2005 actuarial valuation using the entry age normal cost method. The actuarial assumptions included (a) an investment yield rate of 8%, (b) projected merit and longevity wage increases ranging from 4.5% to 12.9% per year, with a projected annual payroll increase of 4.5%, (c) a mortality table projecting the number of members who will die before retirement and the duration of benefit payments after retirement, (d) assumed retirement rates projecting when members will retire and commence receiving retirement benefits, and (e) a set of withdrawal and disability rates to estimate the number of members who will leave the work force before retirement. The Road Commission's unfunded actuarial accrued liability is being amortized as a level percentage of payroll on an open basis.

(Continued)

**HURON COUNTY ROAD COMMISSION  
A COMPONENT UNIT OF HURON COUNTY, MICHIGAN  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2007  
(CONTINUED)**

**NOTE 9 - EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS** (Continued)

Three-Year Trend Information

<u>YEAR ENDING</u>	<u>ANNUAL REQUIRED CONTRIBUTION* (ARC)</u>	<u>PERCENTAGE OF ARC CONTRIBUTED</u>	<u>NET PENSION OBLIGATION</u>
12/31/2005	\$ 179,532	100%	\$ -
12/31/2006	\$ 250,548	100%	\$ -
12/31/2007	\$ 292,116	100%	\$ -

\* Based on valuation payroll. Actual contributions will be based on actual payroll and will be different from the above amounts (usually higher).

Postemployment Benefits

In addition to pension benefits, the Road Commission provides the following benefits to its retired employees:

Life Insurance

The Road Commission pays the premiums for a group life insurance policy in the amount of \$3,000 to \$15,000 for each retired employee. For the year ended December 31, 2007, the Road Commission paid \$2,024 in life insurance premiums on behalf of 35 retired employees. During 2002, the Road Commission elected to drop commercial life insurance policies for the retired employees with \$1,000 of coverage. Instead they have opted to self-insure the lives of these 9 retired employees. During the year ended December 31, 2007 there were two claims paid under this self-insurance policy, and 9 retirees remain under this system.

Health Insurance

The Road Commission also provides optional health insurance through Blue Cross & Blue Shield to its retired employees depending on their age. The Board pays the premiums for each employee that retires prior to age 65 for a maximum of three years, or until they reach age 65. Those employees who retire or continue coverage after age 65 may obtain coverage through the Road Commission, but are responsible for the full cost of all premiums. For the year ended December 31, 2007, premiums paid by the Road Commission for 7 retired employees were \$67,163, while premiums paid by retired employees totaled \$189,498.

All of the post-employment benefits provided are included in agreements between the Board and employee groups, with all required Board premiums being funded on a pay-as-you-go basis.

**NOTE 10 - CONTINGENT LIABILITIES**

Various suits involving personal injury claims have been filed or are pending against the Road Commission. The only direct financial responsibility that the Road Commission has concerning the above claims is the payment of a \$1,000 deductible, per occurrence, to the Michigan County Road Commission Self-Insurance Pool. The Road Commission is afforded coverage through the Pool with more than sufficient limits to cover any settlement or adverse judgment.

In accordance with contracts negotiated with the various employee groups of the Road Commission, individual employees have a vested right upon termination of employment to receive payment for unused sick leave and vacation under formulas and conditions specified in the contracts. The dollar amount of these vested rights which has been accrued on the financial statements amounted to \$520,489 for sick leave and vacation pay at December 31, 2007.

**HURON COUNTY ROAD COMMISSION  
A COMPONENT UNIT OF HURON COUNTY, MICHIGAN  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2007  
(CONTINUED)**

**NOTE 11 - RISK MANAGEMENT**

The Road Commission is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Road Commission joined together with other Road Commissions to form the Michigan County Road Commission Self-Insurance Pool, a public entity risk pool currently operating as a common risk management and insurance program which charges an annual premium to its members for insurance coverage. The pool is self-sustaining through member premiums and provides reinsurance through commercial companies for claims in excess of \$10 million for each insured event. The MCRCSIP provides general liability, casualty and fleet coverage to the Road Commission, and acts as an agent for the Road Commission by purchasing commercial insurance for underground storage tank liability.

The Road Commission is also a member of the Michigan County Road Association Self-Insurance Fund, a public entity risk pool providing risk management for worker's compensation. The Road Commission also continues to carry commercial insurance for employee health coverage.

At December 31, 2007, there were no claims that exceeded insurance coverage. The Road Commission had no significant reduction in insurance coverage from the previous year.

**NOTE 12 - FEDERAL FINANCIAL ASSISTANCE**

The Michigan Department of Transportation (MDOT) acts as the agent of the Federal Highway Administration (FHWA) in the administration of Federal funds provided for the improvement of road systems of Local Public Agencies (LPA) located in Michigan. Although these funds are provided for the improvement of the LPA's road systems, MDOT, as the agent of FHWA, is responsible for controlling receipts and disbursements related to the funds. In this capacity, MDOT also awards construction contracts and, in some instances, contracts for other services or performs related work with MDOT forces. The LPA receives interim and final accountings of project receipts and disbursements from MDOT. The interim and final accountings are reflected in the LPA's accounting records. Federal compliance testing of these funds will be included in the audit of MDOT.

During the year ended December 31, 2007, the Huron County Road Commission, as an LPA, received a benefit of \$1,753,372 of federal funds through MDOT for the improvement of road systems and bridges.

Also, during 2007 the Huron County Road Commission received \$57,722 of federal funds on a reimbursement basis for force account work performed to improve safety at intersections throughout the county.



## **SUPPLEMENTAL INFORMATION**

**HURON COUNTY ROAD COMMISSION  
A COMPONENT UNIT OF HURON COUNTY, MICHIGAN  
BUDGETARY COMPARISON SCHEDULE  
OPERATING FUND  
FOR THE YEAR ENDED DECEMBER 31, 2007**

	ORIGINAL BUDGET	AMENDED BUDGET	ACTUAL	VARIANCE- FROM AMENDED POSITIVE (NEGATIVE)
REVENUES:				
Property Taxes	\$ 1,150,000	\$ 1,150,000	\$ 1,166,946	\$ 16,946
Federal Aid:				
Surface transportation program	606,600	572,000	573,753	1,753
Economic development "D" funds	274,000	230,000	230,900	900
Critical bridges	577,600	1,006,400	1,006,441	41
Total Federal Grants	1,458,200	1,808,400	1,811,094	2,694
State Aid:				
Michigan Transportation Fund:				
Engineering	10,000	10,000	10,000	-
Primary roads	2,500,000	2,650,000	2,555,640	(94,360)
Local roads	2,240,000	2,230,000	2,339,465	109,465
Snow removal	-	10,000	8,061	(1,939)
Critical bridge funds	144,400	188,700	188,708	8
Economic development fund:				
Target industries "A" funds	-	-	-	-
Rural primary "D" funds	169,000	139,000	139,506	506
Local Jobs Today	69,750	69,750	69,750	-
Total State Grants	5,133,150	5,297,450	5,311,130	13,680
Contributions:				
Townships	3,000,000	3,390,000	3,432,746	42,746
Other	40,000	-	-	-
Total Contributions	3,040,000	3,390,000	3,432,746	42,746
Charges for Services:				
State trunkline maintenance	1,700,000	1,100,000	1,282,877	182,877
State trunkline non-maintenance	-	1,253,000	1,253,355	355
Salvage sales	15,000	6,000	8,590	2,590
Total Charges for Services	1,715,000	2,359,000	2,544,822	185,822
Interest and rentals	40,000	93,000	99,430	6,430
Other Revenues:				
Sundry refunds	-	-	32	32
Gain on sale of equipment	12,200	9,000	7,393	(1,607)
Gain on sale of buildings	-	61,100	61,073	(27)
Gain on sale of road materials	-	-	54,048	54,048
Total Other Revenues	12,200	70,100	122,546	52,446
TOTAL REVENUES	12,548,550	14,167,950	14,488,714	320,764

(Continued)

**HURON COUNTY ROAD COMMISSION**  
**A COMPONENT UNIT OF HURON COUNTY, MICHIGAN**  
**BUDGETARY COMPARISON SCHEDULE**  
**OPERATING FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2007**  
**(CONTINUED)**

	ORIGINAL BUDGET	AMENDED BUDGET	ACTUAL	VARIANCE- FROM AMENDED POSITIVE (NEGATIVE)
<b>EXPENDITURES:</b>				
Primary Roads:				
Preservation-structural improvements	2,600,000	2,250,000	2,272,629	(22,629)
Routine and preventative maintenance	1,100,000	1,305,000	1,392,357	(87,357)
Total Primary Roads	3,700,000	3,555,000	3,664,986	(109,986)
Local Roads:				
Preservation-structural improvements	3,500,000	3,750,000	3,837,461	(87,461)
Routine and preventative maintenance	1,600,000	1,653,000	1,816,625	(163,625)
Total Local Roads	5,100,000	5,403,000	5,654,086	(251,086)
Primary Road Structures:				
Preservation-structural improvements	115,000	50,000	-	50,000
Routine and preventative maintenance	35,000	18,000	75,259	(57,259)
Total Primary Road Structures	150,000	68,000	75,259	(7,259)
Local Road Structures:				
Preservation-structural improvements	950,000	1,460,000	1,471,830	(11,830)
Routine and preventative maintenance	35,000	27,000	31,279	(4,279)
Total Local Road Structures	985,000	1,487,000	1,503,109	(16,109)
State Trunkline:				
Maintenance	1,700,000	1,100,000	1,263,604	(163,604)
Non-maintenance	-	1,253,000	1,253,355	(355)
Total State Trunkline	1,700,000	2,353,000	2,516,959	(163,959)
Equipment Expense - Net:				
Direct	1,400,000	1,550,000	1,529,229	20,771
Indirect	650,000	650,000	621,816	28,184
Operating	650,000	650,000	672,313	(22,313)
Less: Equipment rental	(2,400,000)	(2,500,000)	(2,775,005)	275,005
Total Equipment Expense	300,000	350,000	48,353	301,647
Administrative Expense - Net:				
Administrative expense	800,000	850,000	702,763	147,237
Less:				
Overhead - State Trunkline	(130,000)	(185,000)	(201,295)	16,295
Overhead - Parks Fund	(45,000)	(46,500)	(44,168)	(2,332)
Overhead - Airport Fund	(5,000)	(4,700)	(4,612)	(88)
Overhead - Drain Fund	(140,000)	(140,000)	(140,000)	-
Purchase discounts	-	-	(632)	632
Total Administrative Expense	480,000	473,800	312,056	161,744

(Continued)

**HURON COUNTY ROAD COMMISSION**  
**A COMPONENT UNIT OF HURON COUNTY, MICHIGAN**  
**BUDGETARY COMPARISON SCHEDULE**  
**OPERATING FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2007**  
**(CONTINUED)**

	ORIGINAL BUDGET	AMENDED BUDGET	ACTUAL	VARIANCE- FROM AMENDED POSITIVE (NEGATIVE)
Capital Outlay - Net:				
Capital outlay	192,000	290,000	296,954	(6,954)
Less:				
Equipment retirements	-	-	(1,724)	1,724
Depreciation and depletion	(650,000)	(650,000)	(635,093)	(14,907)
Total Capital Outlay	<u>(458,000)</u>	<u>(360,000)</u>	<u>(339,863)</u>	<u>(20,137)</u>
Debt Service:				
Principal	252,300	252,300	252,692	(392)
Interest and fees	36,200	36,200	30,402	5,798
Total Debt Service	<u>288,500</u>	<u>288,500</u>	<u>283,094</u>	<u>5,406</u>
TOTAL EXPENDITURES	<u>12,245,500</u>	<u>13,618,300</u>	<u>13,718,039</u>	<u>(99,739)</u>
NET CHANGE IN FUND BALANCE	<u>303,050</u>	<u>549,650</u>	<u>770,675</u>	<u>221,025</u>
FUND BALANCE - JANUARY 1	4,429,216	4,429,216	4,429,216	-
FUND BALANCE - DECEMBER 31	<u>\$ 4,732,266</u>	<u>\$ 4,978,866</u>	<u>\$ 5,199,891</u>	<u>\$ 221,025</u>

**HURON COUNTY ROAD COMMISSION  
A COMPONENT UNIT OF HURON COUNTY, MICHIGAN  
PENSION PLAN DATA  
DECEMBER 31, 2007**

**Schedule of Funding Progress**

	(a)	(b)	(b-a)	(a/b)	(c)	(b-a)/c)
Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded (Overfunded) AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a % of Covered Payroll
12/31/97	\$ 12,772,918	\$ 11,992,951	\$ (779,967)	107%	\$ 1,992,931	0%
12/31/98	\$ 13,879,361	\$ 11,977,091	\$ (1,902,270)	116%	\$ 1,973,483	0%
12/31/99	\$ 15,441,579	\$ 13,160,201	\$ (2,281,378)	117%	\$ 2,273,748	0%
12/31/00	\$ 16,313,899	\$ 15,881,803	\$ (432,096)	103%	\$ 2,387,777	0%
12/31/01	\$ 16,673,821	\$ 16,982,168	\$ 308,347	98%	\$ 2,601,414	12%
12/31/02	\$ 16,288,042	\$ 17,365,850	\$ 1,077,808	94%	\$ 2,690,619	40%
12/31/03	\$ 16,525,788	\$ 17,963,908	\$ 1,438,120	92%	\$ 2,693,384	53%
12/31/04	\$ 16,822,950	\$ 19,148,577	\$ 2,325,627	88%	\$ 2,801,817	83%
12/31/05	\$ 17,070,893	\$ 19,896,332	\$ 2,825,439	86%	\$ 2,869,827	98%
12/31/06	\$ 17,639,968	\$ 20,413,462	\$ 2,773,494	86%	\$ 2,938,141	94%

**HURON COUNTY ROAD COMMISSION  
A COMPONENT UNIT OF HURON COUNTY, MICHIGAN  
OPERATING FUND  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BY FUND BALANCE SUB ACCOUNT  
FOR THE YEAR ENDED DECEMBER 31, 2007**

	PRIMARY ROAD FUND	LOCAL ROAD FUND	COUNTY ROAD COMMISSION FUND	TOTAL
<b>REVENUES:</b>				
Property Taxes	\$ 1,166,946	\$ -	\$ -	\$ 1,166,946
Intergovernmental:				
Federal sources	804,155	1,006,939	-	1,811,094
State sources	2,771,824	2,539,306	-	5,311,130
Local sources	-	3,432,746	-	3,432,746
Charges for Services	-	-	2,544,822	2,544,822
Interest and rents	48,839	40,567	10,024	99,430
Other	-	-	122,546	122,546
<b>TOTAL REVENUES</b>	<u>4,791,764</u>	<u>7,019,558</u>	<u>2,677,392</u>	<u>14,488,714</u>
<b>EXPENDITURES:</b>				
Primary Roads:				
Preservation-structural improvements	2,272,629	-	-	2,272,629
Routine and preventative maintenance	1,392,357	-	-	1,392,357
Local Roads:				
Preservation-structural improvements	-	3,837,461	-	3,837,461
Routine and preventative maintenance	-	1,816,625	-	1,816,625
Primary Road Structures:				
Preservation-structural improvements	-	-	-	-
Routine and preventative maintenance	75,259	-	-	75,259
Local Road Structures:				
Preservation-structural improvements	-	1,471,830	-	1,471,830
Routine and preventative maintenance	-	31,279	-	31,279
State Trunkline Maintenance	-	-	1,263,604	1,263,604
State Trunkline Non-maintenance	-	-	1,253,355	1,253,355
Equipment Expense - Net	9,366	24,356	14,632	48,354
Administrative Expense - Net	107,105	204,951	-	312,056
Capital Outlay - Net	-	-	(339,863)	(339,863)
Debt Service:				
Principal	63,741	28,677	160,274	252,692
Interest	13,557	6,825	10,019	30,401
<b>TOTAL EXPENDITURES</b>	<u>3,934,014</u>	<u>7,422,004</u>	<u>2,362,021</u>	<u>13,718,039</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u>857,750</u>	<u>(402,446)</u>	<u>315,371</u>	<u>770,675</u>
<b>FUND BALANCE - JANUARY 1</b>	2,198,776	1,826,381	404,059	4,429,216
<b>INTERFUND ADJUSTMENT</b>	-	-	-	-
<b>FUND BALANCE - DECEMBER 31</b>	<u>\$ 3,056,526</u>	<u>\$ 1,423,935</u>	<u>\$ 719,430</u>	<u>\$ 5,199,891</u>